

The American Observer

A free, virtuous, and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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APRIL 25, 1938

President's Program Raises Vital Issue

Opinion Sharply Divided on Wisdom of Proposal to Launch New Spending Program

CREDIT EXPANSION PROVIDED

But Business Insists Upon Definite Changes in Policy Before Expansion Is Possible

As the President's new spending program, outlined in his recent message to Congress and radio chat to the nation, comes before Congress for debate, one of the major controversies of the entire administration is likely to break loose. Already the lines are forming for a battle royal, with supporters and opponents of the proposed attack upon the new depression using every means at their disposal to get their views across to the public. The air waves are already humming with addresses by public officials. Newspaper columns are marshaling facts and figures to bolster their cases. But the real flood of oratory is not expected to deluge the nation until the proposals are actually considered by Congress.

President's Diagnosis

As a matter of fact, the President's decision to embark upon another spending program to check the business decline that has become so serious raises issues of fundamental importance. Well-informed opinion is honestly divided on the wisdom of the proposals. Not only do many opponents of the proposed spending believe that it will do more harm than good, but they question the accuracy of the President's diagnosis of our present economic ills. Just as convinced are the supporters of the plan, who honestly believe that the government must step in and increase its expenditures if business is to get back on its feet and reemploy the millions who have been thrown out of work.

President Roosevelt, in both his message to Congress and his address to the nation, left no doubt as to what he thinks caused the present depression. The economic machine began to stall last autumn, he said, because the American people did not have sufficient purchasing power to buy all the industry was producing. "We suffer from a failure of consumer demand because of lack of buying power," he said, and went on to explain in greater detail the causes of the slump as he sees them:

But the very vigor of the recovery in both durable goods and consumers' goods brought into the picture early in 1937 certain highly undesirable practices, which were in large part responsible for the economic decline which began in the later months of that year. Again production outran the ability to buy.

Production in many important lines of goods outran the ability of the public to purchase them. For example, through the winter and spring of 1937 cotton factories in hundreds of cases were running on a three-shift basis, piling up cotton goods in the factory and in the hands of the middlemen and retailers.

For example, also, automobile manufacturers not only turned out a normal increase of finished cars, but encouraged the normal increase to run into abnormal figures, using every known method to push their sales. This meant, of course, that the steel mills of the nation ran on a 24-hour basis, and the tire companies and cotton factories and glass factories speeded up to meet the same type of abnormally stimulated demand. The buying power of the nation lagged again.

Thus, by the autumn of 1937, the nation again had stocks on hand which the consum-

(Concluded on page 8)



PHILIPPINES—THE BOY AND THE CARABAO

The carabao, or water buffalo, is the principal beast of burden in the Philippine Islands.

To a Troubled Reader

A letter came to us the other day from a reader who was troubled by what she conceived to be our undue pessimism in dealing with the problems of the country. Our continued emphasis upon public difficulties and perplexities made her feel "low," she said; could we not turn more frequently to the brighter side of life? "This is a grand old country," she declared, so why not give more space to "the side that is grand and joyful in America?"

This reader expresses a yearning which is quite understandable. We all feel rather "low" sometimes as we look about us at the world and its people; as we look at our own communities and see the effects of unemployment and the denial of opportunity; as we study the economic problems which hold us in their grip and prevent the realization of our own ambitions and the visions Americans throughout their history have had of a land characterized by opportunity and plenty. We would like to get away from it all; to awake and find that it was but a fitful and unpleasant dream. But it isn't. The country is indeed great—"a grand old country," to be sure. It is worthy of all the love and devotion we can give it. That is why we have called in these columns for a revival of patriotism in America; for a devotion which will prompt us to work tirelessly and effectively for the realization of the ideals for which America has stood and still stands. There is hope that we may build here the grandest civilization ever known or conceived in all the world.

But the unescapable fact is that there are today vital problems to be faced. They need to be met and solved if this vision of a grander future is to come true. It is our obligation as citizens to meet them. That is the way we can prove our devotion to our country. These problems will not solve themselves automatically. They will not be solved if we run away from them or pretend that we do not see them. They will not be solved even if we admit their presence if we fail to give time and thought to them, for they are complex, difficult, and require continued attention.

Am I being unduly pessimistic in speaking of the problems and responsibilities of this hour? The *New York Times* says that in New York City nearly half the young men and women between the ages of 16 and 24 who are willing to work and want work, cannot find work. This does not include the ones who are in school or those who are living at home and who do not wish employment. "Here," says the *Times*, "is not only an impoverished and frustrated present but an imperiled future." Nor are the impoverishment and the peril confined to New York or our great cities. During the last year I have visited 45 of the 48 states of this nation, and almost everywhere I have found conditions among

(Concluded on page 7, column 3)

Philippines' Future Reconsidered by U.S.

Roosevelt Favors a Postponement Until 1960 of Imposition of Tariff Against Islands

JAPAN'S POSITION A FACTOR

Whole Question of Islands' Independence Is Opened as Japan Extends Influence

For nearly 40 years, the ultimate fate of the Philippine Islands has been a perplexing problem to the American people. Following the Spanish-American War, as a result of which the United States acquired the islands, there was agitation year after year for complete independence, and steps looking in that direction were gradually taken. For a while it appeared that the issue had finally been settled when Congress in 1934 enacted a law providing for the establishment of complete independence by 1946. American control and supervision were gradually to be lessened during the 12-year period of transition from dependence to independence.

During the last year or so, however, the Philippine question has again raised its head; this time because of new developments in the Far East. The wisdom of the 1934 congressional act has been called into question as a result of Japan's new campaign of political and economic penetration throughout the Orient. As the American government has seen the Japanese armies sweep into China and Japanese merchants establish themselves throughout the Far East, it has wondered whether the Philippines might not be lost to Japan if the protection of the United States were removed. The Filipinos themselves have changed their tune, also, as a result of these new developments, and demands for complete freedom have been transformed into hints that perhaps some other arrangement with the United States might prove more satisfactory.

Question to Be Reopened

This changed attitude on the part of the Filipinos has not been due solely to the fear of Japanese aggression. It has also resulted from the fear of what might happen to the islands, economically, when the ties which hold them to the United States are completely severed. The present law provides that tariffs shall gradually be imposed upon goods entering this country from the Philippines until by 1946 they shall pay the same rate of duty as goods coming from any other foreign nation. President Roosevelt only a few days ago indicated that he favored extending the tariff deadline from 1946 to 1960; a proposition which is favored by the Philippine president, Manuel Quezon. Thus it appears that the whole Philippine question will be reopened at the next session of Congress.

Before taking up the broader issues involved in the dispute over complete Philippine independence, it is well to turn our attention for a moment to the islands themselves. All in all, there are 7,083 islands comprising the Philippine archipelago, stretching north and south for over a thousand miles. If they could be picked up and dropped on eastern United States, they would extend from the Great Lakes to northern Florida, and from the Mississippi River east to the Atlantic. In one piece, however, they would be only a little larger than the state of Arizona. Most of



SCREEN TRAVELER FROM GENDREAU
FRUIT MARKET IN A SECTION OF MANILA

the islands are very small, and over two-thirds of them are so worthless that the Manila government has not even bothered to give them names. Less than 500 of them have an area of one square mile or more. Only two of the islands are large and important—Luzon on the north end of the archipelago, on which is located the capital, Manila, with its population of 400,000 and its large harbor, said to be the finest in the Far East; and Mindanao on the south, which is the largest and wealthiest of the group, with its port of Davao, the so-called back door of the Philippines.

There are nearly 14,000,000 people scattered through these numerous islands, representing a considerable diversity of types and races. Eight different languages are prevalent, shaded with 87 different dialects. Besides the native Filipinos, there are many Chinese, Japanese, and a handful of Americans. In religion, also, the Filipinos are sharply divided, with several million Catholics, half a million Moslems, and about as many pagans. Of the entire population, not more than four million read or understand English.

Interiors Backward

Generally speaking, the interior of the large islands, and the whole of many of the small ones, are backward. Agriculture is of a most primitive kind, and such industry as there is is on a very small scale; usually by hand. The countryside is no less picturesque, however, as the sharp volcanic mountain peaks thrust themselves suddenly upward between tropical jungles and almost incredibly rich farming land in the valleys. Terraced layers of rice paddies march in narrow steps up the steep hillsides, with harvesters or planters wading knee-deep in the water. Over all is the shimmering heat interspersed with torrential rainfalls, the jagged outlines of volcanic rock against tropical skies.

It is an atmosphere which kills energy and ambition and which nearly always defeats the white man. Although the rich soil will grow almost anything, it seems, the farmer to be a success must wage an incessant war with the creeping jungle which threatens constantly to overwhelm his farm. He is further menaced (in Mindanao) by warlike tribes which have never

been completely subjugated by the American government in Manila.

That the Philippines have made marked progress during the years of American control is an incontrovertible fact. Manila has become a modern metropolis, with its fine buildings, its wide and well-laid-out streets, and, most important of all in the tropics, a modern system of sanitation. By tackling fundamentals of sanitation, drinking water, and garbage disposal, the American administration has been able to reduce to a minimum the terrible diseases which once ravaged the islands. Whereas formerly four out of every five babies died in infancy, 94 out of every 100 now survive.

Similar progress has been made in other directions, notably in education. While the educational system still leaves much to be desired, many of the teachers being themselves only half literate, it has resulted in great progress and has reduced the extent of illiteracy. One indication of this progress is seen in the fact that newspaper circulation of the islands has increased twentyfold since 1900.

Commercial Strides

Commercially the islands have also made great strides during the years of American control. The economic development has been due largely to the close political ties which have bound them to the United States. Eighty per cent of the exports of the Philippines are absorbed by this country, and 60 per cent of their imports are of American origin. In 1936, they imported from the United States \$61,497,263 as compared with \$39,628,912 from all other countries, and their exports to this country amounted to \$107,525,326 as compared with \$28,922,726 to all other countries.

Sugar is by far the most important industry of the islands and its development has been due primarily to the investment of American capital and the American market. More than a quarter of a million dollars is invested in it, and it accounts for 60 per cent of all exports. It is said to provide 60 per cent of the government's revenues and to account for nearly a third of the total national income. In addition, a thriving trade has been built up in coconut oil, copra, tobacco, hemp, and certain mineral products. The islands have offered a fairly important market for American cotton goods, iron and steel products, automobiles, chemicals, and other products.

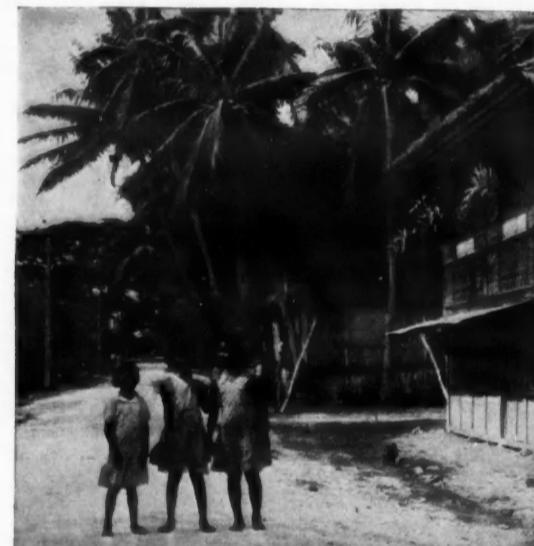
During the period between now and complete independence in 1946, gradual steps will be taken to prepare the islands to stand on their feet economically. Dur-

ing the transition period, quotas have been allotted to the Philippines. They may sell to this country as much of the leading exports as the quota permits; above the quota the regular import duty will be charged. Beginning in 1940, an export tax of five per cent will be imposed upon these products, with an additional five per cent imposed each year. Then in 1946—unless the present law is amended—Philippine products will be obliged to pay the same rate of duty as the products of any other foreign country.

It is obvious that the Philippines are likely to suffer a great deal as a result of closing the American market to their goods. It is highly doubtful whether Philippine sugar, for example, the very life-blood of the islands' economic life, can compete in the American market with Cuban sugar, if it does not enjoy some concession in the form of lower tariffs. It is the possible adverse economic effects of independence that have given rise to the movement, both in the United States and in the Philippines, for a modification of the present arrangement.

Japan's Shadow

In any consideration of the future status of the Philippine Islands, the position of Japan necessarily looms large. It is, of course, possible to exaggerate the threat of Japan to the Philippines. Nevertheless it is a fact that the Japanese have made



GENDREAU
SCHOOL CHILDREN IN A NATIVE VILLAGE

and are making great economic inroads in the islands. The Philippines produce many of the raw materials which Japan sorely needs, and already there is some indication that the Japanese intend to take advantage of the favorable geographical location of their country and the islands. A considerable percentage of the retail trade of the Philippines is now in the hands of the Japanese. In 1933, American cotton mills supplied 67 per cent of the imports of a certain type of textiles, Japan 23 per cent. A year later, Japan's percentage had risen to 52 and America's had declined to 40.

Whether it is true that Japanese goods are flooding the Philippines, the fact remains that Japan is meeting with success in establishing closer trade relations with the islands. More Japanese emigrate to the Philippines than to any other country except Brazil. "The most striking signs of Japanese activity," writes William Henry Chamberlin in his "Japan Over Asia," "are to be found in Davao Province, in the southeastern corner of Mindanao, where about 14,000 Japanese have settled. Davao looks like a Japanese town, with Japanese signs on its main street, Japanese schools, hos-

pitals, and social organizations, and Japanese vessels in the harbor outnumbering all others by two to one." There appears to be considerable truth to the statement that as the United States is withdrawing from the Philippines through the front door, Manila, Japan is moving in through the back door, Davao.

There seems to be little doubt that, with the removal of favorable terms for Philippine goods in the American market, the Philippines would turn even more to Japan. The Japanese would offer them a market for the products which they must sell abroad in order to exist, and it could furnish them many of the industrial products which they now buy from the United States at much more favorable prices.

Strategic Location

However that may be, it can hardly be denied that the Philippines occupy a strategic location, both politically and economically. Their position has been aptly described by Willard Price in his "Children of the Rising Sun": "On the map," he writes, "the Philippine archipelago looks somewhat like a large key fitted into a lock composed of Australia, the Dutch East Indies, Singapore, French Indo-China, and China. Who holds this key may unlock the treasures of southern Asia." Mr. Price might have gone on to remark that those regions contain some of the world's richest supplies of raw materials and minerals.

When the time comes to consider amending the present law with respect to the Philippines, many questions of vital concern, affecting not only the islands themselves but also American foreign policy in the Far East, will have to be examined. Whatever economic advantages there may be to American control of the Philippines, it is argued, the United States should not risk the danger of a war with Japan. Many people contend that so long as the Philippines remain an American possession, Japan holds a hostage which she can use to further her own ambitions in the Far East. The United States knows that if the issue came to a head, she would be unable to defend the Philippines, separated as they are some 7,000 miles from the American mainland and within a figurative stone's throw of Japanese possessions. For that reason, the argument continues, the provisions of the present law should go into effect and no attempt should be made to render more critical an already dangerous situation in the Far East.

There are those, on the other hand, who feel that, so long as the United States has any measure of political control over the Philippines, there is no danger of their falling into Japanese hands. The Japanese would not dare run the risk of a major war with the United States over the islands and would carry out their program of expansion in other directions. The ultimate decision is likely to depend upon whether the United States intends to pursue a strong policy in the Far East or whether it adopts a more passive policy in its future dealings with the nations on the other side of the Pacific.



GENDREAU
THE ESCOLTA, MAIN STREET OF MANILA

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AROUND THE WORLD



PICTURES, INC.

FACES CRISIS
China's surprising victories over Japan have brought troubles to Premier Prince Fumimaro Konoye.

Italy: The friendly overtures made to Mussolini last summer by Prime Minister Neville Chamberlain bore their fruit a week ago, when, appropriately on Easter Eve, a comprehensive agreement was concluded between Great Britain and Italy. Signed at Rome and followed up by an exceedingly cordial exchange of telegrams between the two statesmen, the agreement is aimed at removing the friction that has existed between the two nations since Italy's invasion of Ethiopia in the fall of 1935 and at laying the foundation for what is hopefully described as a new structure of European peace. The accord embraces the following terms:

Great Britain and Italy agree that both have vital interests in the Mediterranean Sea. Neither, therefore, will take any step which would alter territorial boundaries in that region. Freedom of passage through the Suez Canal, in war and peace, will remain unrestricted for all powers.

They agree to exchange information

promise not to establish a military base in the Aden Protectorate (also on the Arabian peninsula), Italy recognizes Britain's control of this coastal strip. Italy also undertakes to cease agitation and propaganda against Britain in the Near East.

Britain will recognize the Italian conquest of Ethiopia and will take steps that such recognition might be granted also by other powers belonging to the League of Nations.

Finally—and this is perhaps the most important part of the treaty inasmuch as it does not take effect until this section is complied with—Italy declares that she has neither territorial nor political ambitions in Spain or any of the latter's possessions and agrees, upon the close of the Spanish civil war, to withdraw all Italian troops and equipment from the Spanish peninsula, the Balearic Islands, and Spanish Morocco.

It is clear that both countries have made substantial concessions in arriving at the terms of this agreement. Mussolini, apparently, is ready to wind up his adventure in Spain upon termination of the civil war. If he holds to his word, he will get out of Spain nothing more tangible than the satisfaction of seeing Franco win and a friendly fascist government established in Spain. On the other hand, Britain recognizes Italy as a full equal in the Mediterranean and acknowledges the inclusion of Ethiopia in the Italian Empire.

The first interpretations which have been placed on the Italo-British treaty is that it is undoubtedly a document of historic importance. But it will probably be some time before the extent of that importance can be fully weighed. Has Germany's absorption of Austria frightened Mussolini into paying a substantial price for the friendship of England? Has Britain attached herself to Italy hoping thereby to act as a restraining influence on the Berlin-Rome axis? Or, has she joined hands with Italy in a deliberate, coolly calculated program to insure the peace of Western Europe and the Mediterranean by letting Germany push eastward, while at the same time letting Hitler know that Britain, Italy, and possibly France, will stand together in opposition to any moves encroaching upon their own interests in Europe?

Events during coming weeks will help to clarify these questions, and will perhaps furnish an answer. Within a week, Chancellor Hitler will be visiting Rome. His contemplated venture beyond the borders of German territory may shed further light upon the general trend of European affairs today.

* * *

Spain: There is no longer any doubt that the insurgent forces of General Francisco Franco have driven through to the Mediterranean and have thus cut loyalist Spain in two. Between the province of Catalonia, where are centered both the loyalist government and its munitions industry, and the remainder of loyalist territory all railroad and highway communication has been severed, leaving the radio as the only feasible means of communication. Barring loyalist sympathizers, who are hoping against hope that something will turn up to save the Barcelona regime, most observers are agreed that an insurgent victory is now certain.

Franco is now expected to move along two fronts, one aimed at the insurgent occupation of the Franco-Spanish frontier

in order to prevent supplies from reaching the loyalists through France; the other directed toward forcing the loyalist troops to retreat toward Barcelona until they are caged up in that city.

* * *

Japan: The disastrous defeat sustained by the Japanese army in southern Shantung Province, where 40,000 of its troops were annihilated and still other thousands so trapped that they are threatened with starvation, is having its repercussions in Tokyo. Fully realizing that the conquest of China will not be so easy as they imagined, high military officers now insist that Prince Fumimaro Konoye, the premier, make use of the national mobilization bill empowering the government to harness the nation's industrial resources to the military machine. Having succeeded in obtaining the Japanese diet's approval of this measure only by a promise that he would not invoke it unless a serious emergency arose, the premier is now in the dilemma of either rejecting the officers' request and thereby hampering the war in China, or granting it and thereby publicly confessing that the Japanese army is meeting with serious reverses.

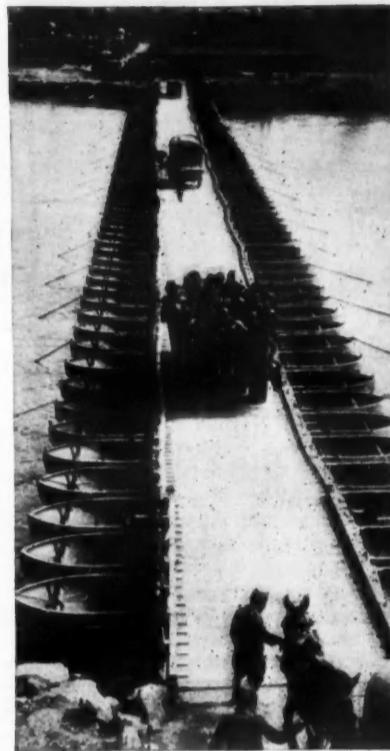
Such a confession is the last thing which either the army or the government desires to make. Indeed, every precaution is being taken to prevent the Japanese people from learning of the army's defeat in Shantung. Not only are news dispatches from the battlefronts being carefully censored, but even returning soldiers are being carefully guarded lest they disclose the true state of the Chinese campaign. It is possible, as a result of all this, that Prince Konoye and his cabinet will resign in the near future.

* * *

North Africa: Although France took steps late last year (see THE AMERICAN OBSERVER, December 13, 1937) to deal with an increasingly restive nationalist movement in North Africa, her efforts do not appear as yet to have met with much success. A commission of experts charged with the twofold task of ridding the colonies of political agitators and outlining a program whereby just grievances might be redressed set itself enthusiastically to the task of getting rid of political dissidents. These were rounded up in their conspiratorial haunts and without ceremony dispatched to penal colonies.

No such enthusiasm was applied by the experts to their primary mission of inquiring into the reasons why from time to time revolts of varying intensity broke out in France's colonial empire. Hence, though the French colonial office professes to be shocked, it is not surprising to most observers that there is again a wave of disorders in North Africa, the most recent having swept across Tunis and forced the authorities to place that country under martial law. As in the case of previous disturbances, scores of native nationalist leaders were arrested. But the basic problem remains unsolved, for it would be a new thing under the imperialist sun were mass arrests a deterrent to further disturbances.

France controls three separate regions in North Africa: Algeria, Tunis, and most of Morocco. Algeria in recent years has been comparatively free of separatist agitation. But that is not the case in Tunis and Morocco, where the cry for independence, made more intense by its being coupled with a Moslem religious crusade,



PUSH TO THE SEA
Spanish insurgents passing over a pontoon bridge after having won through the government fortifications on the near side of the river.

has been raised again and again. It is easy to see why. In Tunis, French industrial concerns, operating mine concessions, retain virtually feudal control over their native workers. According to a writer in *Clarté*, a Paris monthly journal, whenever the native workers venture to strike, their demands are met with machine guns that have a coercive habit of going off "accidentally." In Morocco, although the native Moroccans pay 92 per cent of the taxes, they share in but one per cent of the funds distributed by the administration for public works, while the remainder goes to French colonial residents of the territory.

It must be conceded that the Popular Front government, which held office in Paris until recently, looked with sympathy upon measures to correct the more flagrant abuses in North Africa. But colonial administration in France lies in the hands of a body of conservative civil servants and such is their power—they are known in the French press as "The Important Ones"—that no matter what the complexion of the cabinet may be, they are able to govern the colonial territories pretty much as they please.



GENDREAU
SFAX, AN ANCIENT WALLED CITY OF TUNISIA

from time to time relative to the distribution of their armed forces in such regions as the Mediterranean, the Red Sea, and adjacent waters. Neither will construct air or naval bases in the Mediterranean without first consulting the other. Italy undertakes to reduce her garrison in Libya by the withdrawal of 1,000 troops a week until their number is reduced to the mere necessities of peacetime defense.

The two powers assume the responsibility of guarding the independence of Saudi Arabia and Yemen, both on the Arabian peninsula, and warn other nations against seeking to establish spheres of influence in this area. In return for a British



TROOPS SAIL FOR THE CANAL ZONE AND HAWAII
Some of the 700 U. S. soldiers assigned to duty in the Canal Zone and Hawaii, as they sailed from the Brooklyn army base recently.

ACME

The Tax Bill

The matter of most immediate importance on Capitol Hill is the tax bill, which is now being considered by a joint committee of the House and the Senate. As a matter of fact, there are two tax bills. The first, passed by the House, retains the taxes on undistributed profits and on capital gains (see *THE AMERICAN OBSERVER*, March 14, 1938), although it amends them in line with suggestions from the President and his tax experts. The Senate bill, however, strikes out the undistributed profits tax entirely, and changes the capital gains tax drastically. The President is very much opposed to the Senate version of the bill. In fact, he wrote a letter to the conference committee asking that the House bill be adopted. So this measure, like the reorganization bill,

The Senate passed a wage-and-hour bill last year, but it was killed in the House by a narrow margin. The present bill is considerably different from the Senate bill. It was suggested by the American Federation of Labor—the Federation's opposition was largely responsible for the other bill's failure.

In brief, it sets a minimum wage of 25 cents an hour for all industrial workers, and provides that the secretary of labor may raise the standard five cents a year until it reaches 40; and it sets a maximum work-week of 44 hours, to be reduced two hours a year until it also reaches a limit of 40. The bill makes no provision for adjusting the standards to fit sections of the country. For instance, wages in the South are much lower than in the Northeast; southern businessmen claim that a wage-and-hour law suitable for their eastern competitors would ruin them. The former bill tried to meet this problem by setting up a government agency to adjust the rate according to the section, but the bill suffered defeat mainly because it was feared that this agency would become a "labor dictator" and misuse its powers. The House seems to have abandoned the idea entirely, and will try to work out a satisfactory scale on a nation-wide basis. However, there is much opposition to a wage-and-hour bill of any form, and that opposition may prove too strong for the President and his supporters.



FIRST AID FOR ANGRY VOTERS
HERBLOCK IN PONCA CITY (OKLA.) NEWS

has become a struggle between the President and his congressional opponents.

The latter argue that the two taxes are partly responsible for the present slump in business. Repealing them would relieve business of excessive tax burdens, it is claimed, and investors would be given an incentive to put their money into new and expanded enterprises. In that way, business confidence would be restored; fear of government intervention would be destroyed, and general business conditions would improve.

The President, on the other hand, says that there is nothing in either of the taxes to discourage legitimate business. They are fair and just in principle, he argues, and should be retained. They have worked hardships in certain instances, he admits, but the House amendments eliminate those possibilities.

Wages and Hours

Twice in recent weeks President Roosevelt has emphasized the need for a federal wage-and-hour law, in his address at Gainesville, Georgia, and in his recent radio message to the nation. Largely as a result of his insistence, the labor committee of the House of Representatives has approved a minimum-wage and maximum-hour bill, and will try to bring it up for consideration at this session.



HEADS RED CROSS
Norman H. Davis, America's "ambassador-at-large" to Europe, has been appointed head of the American Red Cross, succeeding the late Admiral Cary T. Grayson.

The Week in the

What the American People

thousands of members to swell their ranks.

The prospect for any sort of cooperation between the two seems more distant than ever. The peace negotiations held last fall resulted in nothing concrete. Now the CIO is taking steps to establish a permanent organization, which would seem to indicate that the CIO leaders do not anticipate a merger with the A. F. of L. in the near future. Heretofore, the CIO has been set up on a temporary basis only, but a recent meeting of the various union leaders voted to call a national convention next fall to write a constitution and complete the business of organization.

At the moment, the conflict between the two groups is political. Candidates backed by the CIO in the fall congressional elections will probably be opposed by the A. F. of L. in many instances. This has already become apparent in Pennsylvania. The labor vote is being split into two parts, and consequently is being seriously weakened. If both groups were behind the same candidates, labor would

figure that for every hour of work on a project, there are two and one-half hours of work in mines, forests, factories, mills, and farms.

If Congress decides to grant the President's request for more PWA funds, the administration will have no difficulty in finding projects on which to spend the money. There are already 2,800 approved projects in the PWA files, and 14,000 applications on hand.

Safety Record

Every day the school buses of North Carolina carry 300,000 country children to and from their homes. Three-fourths of the 5,000 drivers are high school boys, yet in the four school years since the state set up the transportation system, there have been only three deaths from accidents. The directors believe that the high school drivers are better than adults; the boys are more cautious, more dependable, and more sympathetic with the children, it is claimed. The drivers are care-



HALF COMPLETED
Construction has reached the halfway point on the giant Grand Coulee Dam which will harness the waters of the Columbia River, Washington.

undoubtedly be much more successful in electing its candidates.

PWA Record

President Roosevelt's proposal to increase the activities of the Public Works Administration comes as that agency is completing its fifth year. PWA went to work in June 1933. Since then, it has expended \$3,339,848,476 in loans and grants on 26,000 projects. The projects are of two kinds, federal and non-federal. Federal projects, of which there have been about 16,000, have cost the PWA a billion and a half dollars—money which was spent directly by the PWA on conservation, aids to agriculture, rivers and harbors, naval construction, and aviation.

The 10,000 nonfederal projects include schools, other public buildings, hospitals, bridges, waterworks, sewer systems, disposal plants, power plants, viaducts, tunnels, and streets. PWA has made outright grants of \$852 million dollars to states, cities, and counties to help finance these projects. Also, it has lent them \$789 million dollars at four per cent interest. This sum is supposed to be repaid, but critics of the PWA doubt that much of it will be returned to the federal treasury. The local governments themselves have put up \$1,135,000,000 on their projects. In addition to these public works, the PWA has lent about \$200 million dollars to railroads, and has made grants of \$136 million dollars for slum clearance and housing.

The primary purpose of the PWA is to make work for the unemployed. PWA officials estimate that more than five billion hours of work have been created directly. And they

fully selected, of course. They pass a rigid test on state traffic laws, and then undergo an extensive training course from state patrolmen. They must rank high in intelligence tests, and maintain good scholastic records in order to hold the jobs. The salary of \$9.50 a month has made it possible for many boys to remain in school who otherwise would have to drop out.

North Carolina has the largest student-transportation system in the nation, made necessary when the state took over control of the schools from local governments in 1933.

Red Cross Head

America's "roving ambassador" for the past five years, Norman H. Davis, has been appointed by President Roosevelt as national chairman of the American Red Cross. The position was left vacant when Rear Admiral Cary T. Grayson died several months ago.

Mr. Davis is one of the best known diplomats in the world. He has been given special assignments by the President which have taken him to many countries, on many important missions. But his diplomatic experience goes beyond the Roosevelt administration. He went into business in Cuba shortly after graduating from Leland Stanford University in 1900. From 1917 on he worked with government officials, first on foreign loans, then as adviser to President Wilson. He served as assistant secretary of the treasury and later as assistant secretary of state. He was a member of the United States delegation to the disarmament conference in Geneva in 1932, and chairman of the delegation in 1933. His work with the Red Cross will take mos-

The United States

Doing, Saying, and Thinking

of his time, but the President has said he intends to call on Mr. Davis for advice.

Cooperatives Grow

In a recent issue of *THE AMERICAN OBSERVER*, it was stated that "there has been a temporary lull in the nation's interest in consumers' cooperatives." The Cooperative League of America objects to this statement and declares there is greater general interest than ever before. It points out that in the states on the Atlantic seaboard 43 new cooperative stores have been opened within the last six months. Since the first of last year, 80 new cooperative associations have been added to the Consumers' Cooperative Association of Kansas City. This organization is composed of local cooperative units, which distributed \$800,000 in savings among their members last year.

Other examples are available, the Cooperative League says, to show that although "there has been somewhat of a lull in national publicity through magazine and newspaper articles" on the cooperative movement, the consumers' groups are growing both in strength and in numbers.

Western TVA

The state of Nebraska is having "TVA" troubles, although on a much smaller scale. In 1933 work was begun on a system of dams to be used for irrigation and power production. The three units in the system are known as the Platte Valley, the Loup River, and the Tricounty. The Loup River power plant is operating already; the Platte Valley plants are almost completed, and the Tricounty dam is in the early stages of construction. The total cost will be about 50 million dollars; much of the money has been supplied by PWA grants and loans.

Private power companies in Nebraska did not protest when the first two dams were planned. The electricity produced by them would be a welcome addition to the present supply, it was thought, and would not be enough to provide serious competition. But when the Tricounty unit was proposed, the private companies opposed it vigorously. So much power is not needed, they said—the state uses a total of only 675,000,000 kilowatts now, and when the Tricounty unit begins to operate, the state plants alone will produce 490,000,000. A price war will result, it was argued, which would be ruinous for either the

private companies or the state-owned system.

In order to avoid a fight, Nebraska is now planning to buy out all the private companies in the state, and set up a state-owned-and-operated power system. But there will undoubtedly be considerable haggling before the state and the companies reach a price agreement. Also, not all the people of the state agree that a state power system will be more efficient and less expensive.

A Hanging Dam

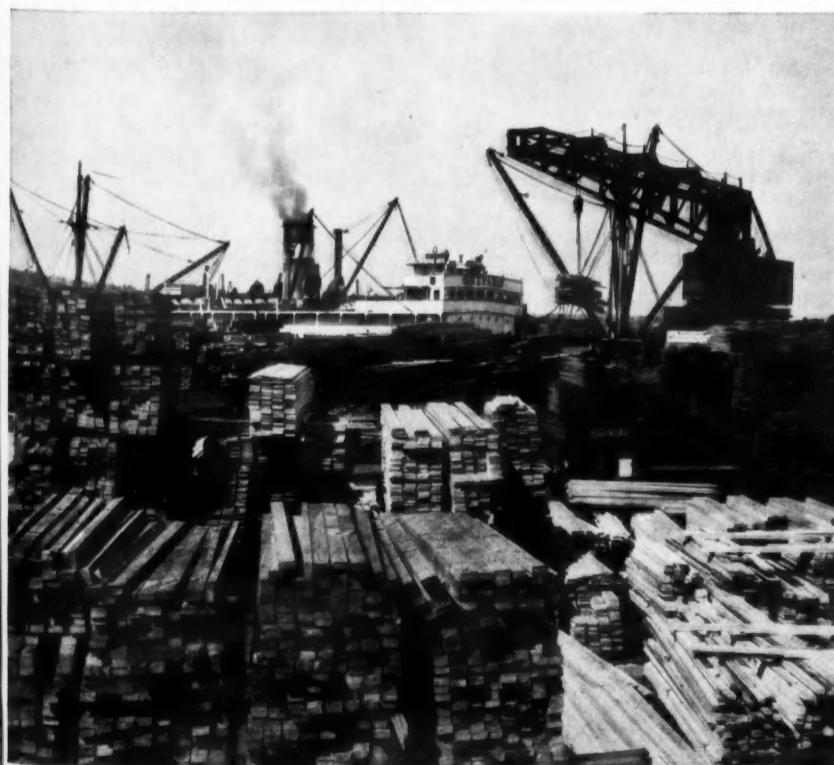
Turtle Creek, which runs through the industrial section of Pittsburgh, has frequently overflowed its banks and done considerable damage. But it is not the water which comes down the creek itself which floods the city. About a mile and a half from Pittsburgh, Turtle Creek runs into the Monongahela. When the river is high, it is likely to back up into Turtle Creek and overflow into the valley.

Now engineers have built a dam between Pittsburgh and the Monongahela which is supposed to prevent this backing up process. The dam consists of two huge steel gates suspended over the water. When heavy rains fall, the water is allowed to pass on down Turtle Creek. After the crest has passed, the dam is dropped into place, thus preventing the flooded Monongahela from backing into the valley. Three giant pumps push the waters of Turtle Creek around the dam when it is in place.

Not for Autos

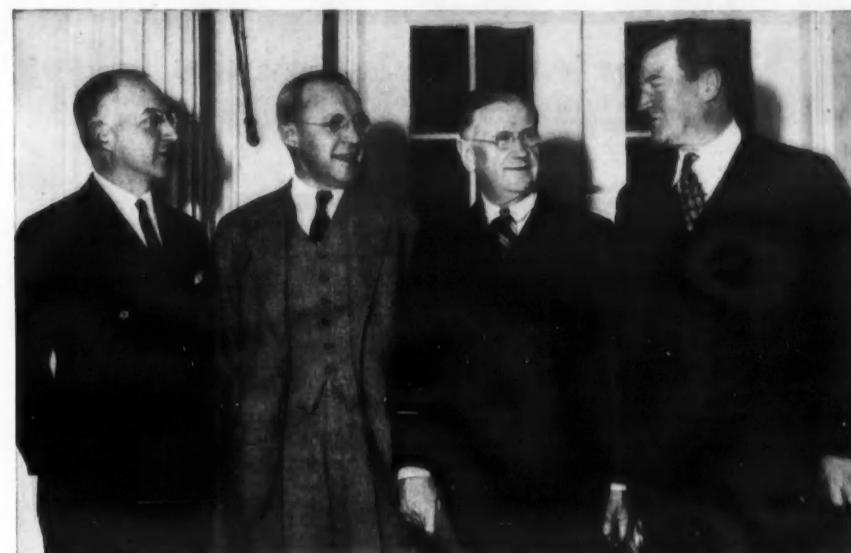
Several months ago it was announced that General Motors plans to produce small Diesel engines on a large scale. Since then, there have been rumors that General Motors intends to put Diesel engines instead of gasoline motors into automobiles, because the Diesels can be operated much more cheaply.

Officials of the company, however, have denied this. The Diesels are designed primarily for stationary power plants, it is said, although they may be used in tractors, trucks, and boats. But they are not yet practical for automobile use. In the first place, a Diesel engine costs two or three times as much as a gasoline engine, and is much heavier. Moreover, a Diesel engine will not start when the temperature is below 32 degrees until it has been heated by a blowtorch or some such device. Motorists would hardly be willing to put up with the inconvenience on winter mornings.



WIDE WORLD

NORTHWEST INDUSTRIES DRAW MANY SHIPS
At the West Waterway docks in Seattle where steamers load daily with lumber, the Northwest's contribution to the world's building program.



HARRIS AND EWING

THE BIG FOUR OF HOUSING
These are the men who are pushing on several fronts the federal government's program to expand housing construction. Left to right: Nathan Straus, head of the U. S. Housing Authority, Eber K. Bunker, assistant secretary of the interior, Harold Ickes, secretary of the interior, and Stewart McDonald, Federal Housing administrator.

NEW BOOKS

IN THE nineteenth century large numbers of Europeans left their native homes and came to America. Many of them were Irish, driven from their country because continued crop failures had brought severe famine. Elizabeth Corbett tells the story of three generations in one of these Irish families in "Light of Other Days" (New York: Appleton-Century, \$2.50). The scene is in Mount Royal, a small midwestern town, where Terence Reiley settled in 1846. During the next 40 years, his large house was the meeting place for all the Irish. There, too, the Catholic priest held mass, because the people had no church to attend. And frequently the Reileys entertained families from the old country who had just arrived, and had no place to stay.

Mount Royal was a prosperous little city years ago. Most of its citizens worked for the Burlington railroad, called the "Q." The town also had the Tin Plate plant, a blanket factory, and a wagon works. While the population was still increasing, some of the people even predicted that "in another 20 years Mount Royal is going to annex Chicago." But the years only brought Mount Royal a few more Irish. Chicago was never seriously rivaled.

During this time, the Reiley family held to its Irish customs, but finally gave up the idea of ever returning to the old country. Terence is revered as one of the most dependable and likeable men in town. His wife, Mary, is always going out of her way to help new families and to do kindnesses for the neighbors. The children scatter to make homes patterned after American customs. Only Rufe Reiley stays at home to support his aging parents.

Miss Corbett's entertaining story might easily be the history of many immigrant families who had been absorbed in this nation. Gradually, they have become accustomed to the new ways, and soon feel at home. The Reileys, for instance, always remembered their country's traditions, but they grew to be representative of scores of other families.

* * *

RECENTLY New York welcomed the first circus of the year, and thus officially acknowledged that spring has arrived. Many companies of performers and caged animals are starting on the circuits which will carry "the big tops" through cities and hamlets in every state. George Brinton Beal, a Boston editor, calls the circus "a thoroughly American institution." In "Through the Back Door of the Circus" (Springfield, Massachusetts: McLoughlin, \$2), he tells the story of the world of riders, acrobats, clowns, trainers, and freaks. Each circus is a transportable city, always on the move. Even before the last act is finished at the night performance, husky workers are packing up equipment and dismantling smaller tents. After the customers have left, the show is hurriedly taken down and put on a special train. By morning,

it will be in another town to repeat the performance. Day after day the circus, a small town in itself, travels over the country, carrying its own kitchens and barracks. It entertains thousands of people during the season—children who are seeing the elephants and lions for the first time, and grown-ups who remember the thrill of former circus days.

Mr. Beal, who is considered an authority on the circus, has himself undergone many hazardous experiences in following the shows. He has collected scores of anecdotes in this account, and relates many stories about famous acts and performers.

* * *

NUMEROUS attempts are made to compare the international predicaments of 1938 with the events in 1914 which set the stage for the World War. Hubert Herring,



H&E

THE BIG ELEPHANT HERD
(From an illustration in "Through the Back Door of the Circus.")

a well-known writer and political scientist, analyzes these similar periods in "And So To War" (New Haven: Yale University Press, \$2). He thinks that we are in a worse position now than in 1914 and cites comparisons to show that "the Washington air is reminiscent of the last days of 1916, of the days of early 1917." Perhaps because he wants to impress strongly that the United States must tread softly to avoid a costly war, he tries to show that President Roosevelt and Secretary of State Hull are following policies which will lead us toward involvement in an early conflict. One may not be inclined to subscribe to the reasoning which leads to this conclusion, but there is good sense in his statement that our peace depends on an energetic citizenry anxious to avoid war. He presents a compact review of the similarities between events of 1914 and of 1938.

* * *

STUDENTS of the American newspaper will find a good source of information about the work which goes into pictures in "Get That Picture!—The Story of the News Cameraman" (New York: National Library Press, \$2.50), by A. J. Ezickson. The author has had a wide experience with large picture syndicates, including Acme Newspictures, Associated Press Photos, and the Wide World Photos. He tells the complete story of the picture branch in modern journalism. Many of his chapters, as well as the illustrations in the book, come from recent successes in picture-taking, such as those of the *Hindenburg* crash and the *Panay* sinking.—J.H.A.

Historical Backgrounds

By David S. Muzzey and Paul D. Miller

The Influence of the Chief Executive

THROUGHOUT American history, opinion has been sharply divided over the proper functions of the presidential office. Franklin D. Roosevelt is not the first of our Presidents to be accused of usurping greater authority than is bestowed upon the Chief Executive by the Constitution. Nor is he the first to come to blows with Congress during the latter part of his administration. Almost from the beginning, the pendulum has swung back and forth with the President in the ascendancy during certain periods and with Congress primarily in control during other periods.

At least from the days of Andrew Jackson to the present, if not before that, the cleavage between the major political parties on this particular point has been clearly marked. In theory at least, if not always in practice, the Democratic party has looked upon the presidency as something of a "tribune of the people," upon the President as the representative of all the people. In other words, the Democratic conception has been that the President should assume a position of leadership, not only in administering the governmental machinery and executing the laws enacted by Congress, but also in

shaping policies and in recommending and initiating legislation.

The Republicans, and their immediate forebears, the Whigs, have held a different philosophy with respect to the presidency, although certain Republican Presidents have failed conspicuously in their conduct of the affairs of state to adhere to this philosophy. According to this concept, the Congress of the United States exerts, or should exert, a much more powerful influence upon governmental policy, should initiate all legislation and formulate policies, and should act as a check upon the President. Needless to say, such Republican Presidents as Abraham Lincoln and Theodore Roosevelt can hardly be said to have accepted this theory in their practices, for in both cases the center of gravity had definitely shifted from the Congress to the Chief Executive.

Jackson Censured

If one is inclined to view the present conflict between President Roosevelt and Congress as unprecedently acrimonious, he should turn back the pages of history. The serious student knows that many another President has had far more bitter

feuds on his hands. The Whigs in Jackson's day were so incensed with what they considered the President's usurpation of their prerogatives and his dictatorial tactics that they succeeded in putting through the Senate a resolution of censure, which declared that by certain acts Jackson had "assumed upon himself authority and power not conferred by the Constitution and laws and in derogation of both."

No less prominent a figure than Henry Clay used familiar language in denouncing the presidential procedure. "We are in the midst of a revolution," he declared, "rapidly tending toward a total change of the pure republican character of our government, and to the concentration of all power in the hands of one man. The powers of Congress are paralyzed, except when exerted in conformity with his will." And when, three years later, Jackson's supporters succeeded in having the resolution of censure expunged from the record, Clay was so angry that he declared: "He has swept over the government, during the last eight years, like a tropical tornado. Every department exhibits traces of the storm. . . . When disabled from age any longer to hold the scepter of power, he designates his successor and transmits it to his favorite. What more does he want? Must we blot, deface, and mutilate the records of the country to punish the presumptuousness of expressing any opinion contrary to his?"

Lincoln's Difficulties

Nor were Abraham Lincoln's difficulties any less acute. He was accused of doing many things which were unconstitutional (which he probably did), and even members of his own party rebelled against him. Responsible leaders of his own party issued the famous manifesto which declared, among other things: "The supporters of the administration are responsible to the country for its conduct, and it is their right and duty to check the encroachments of the Executive on the authority of Congress and to require it to confine itself to its proper sphere."

While Theodore Roosevelt was able, by wielding the "big stick" over Congress to keep it in line with his policies, there was open rebellion toward the end of his administration. Just before turning over the presidency to Taft, he wrote to one of his sons: "For seven sessions, I have been able to prevent such a break (with Congress). This session, however, they felt it was safe utterly to disregard me because I was going out and my successor had been selected." Woodrow Wilson had his difficulties with Congress and his program in the international field was defeated despite the President's attempt to win the people's support by going over the head of Congress and appealing directly to the people.

There have been other periods in our history when Congress has completely dominated the President. Following the Civil War, there was a succession of weak Presidents. In fact, by the time of President Arthur, the influence of the Chief Executive had so declined as to lead James Bryce, the British diplomat, to remark in his classic book on American government that "the expression of the President's wishes conveyed in a message has not necessarily any more effect on Congress than an article in a prominent party newspaper . . . ; and in fact the suggestions which he makes year after year, are usually neglected, even when his party has a majority in both Houses, or when the subject lies outside party lines."



DAVID S. MUZZEY



EMPHASIS ON WEALTH
An early cartoonist's view of the problem of excessive materialism.

• Something to Think About •

Test Your Opinions

The criticism is frequently made that Americans are the most materialistic people on earth; that their principal goal in life is to acquire wealth. In no other country, it is charged, is success so directly linked to financial position, or success measured purely in terms of money. It is alleged that even shady practices are condoned if one can get away with them and succeeds in amassing riches. Do you think the American people have a distorted sense of values? What do you think should be the true measuring rod of success in life? Here are a few questions over which you might ponder:

1. Should one's success in life be measured by his total income or wealth?
2. Is there generally a direct relation between a person's ability and his income?
3. What do you consider to be the minimum annual income on which a family of four can live in comfort and achieve happiness?
4. Do you think that on the whole happiness depends more upon the possession of money than upon other factors?
5. If you had to choose between a position which offered great financial rewards but little else and one which offered you the type of work in which you were keenly interested, which would you choose?
6. Do you think it is true that people who have large incomes are generally so interested in making money that they have little time to devote to anything else—to cultivate other interests in life?
7. Are you inclined to respect people of wealth, to seek to cultivate their friendship, and to judge their desirability as friends by the financial position they hold? If not, what standards of measurement do you use in judging people and in making associations?
8. In your opinion, do the best minds of the nation come in the upper-income brackets?
9. To what factors is financial success due in a majority of cases?
10. What responsibility, if any, for promoting the public welfare, falls upon the well-to-do, and do you think that they assume this responsibility?

Are You Sure of Your Facts?

1. What was the root of the controversy between Andrew Jackson and the Congress of his day?
2. According to the present law, when will imports from the Philippine Islands pay the same rate of duty upon entering the United States as imports from foreign nations?
3. What is the essential difference between the Senate tax bill and the House measure?
4. In their accord with the British, what promise did the Italians make with respect to Spain?
5. What is martial law?

6. To what position has Norman H. Davis recently been appointed?

7. Why has organized labor made fewer gains in membership during the last few months? What indication is there that peace between the CIO and the A. F. of L. will not be made?

8. What are the main causes of the disturbances in the French possessions of North Africa?

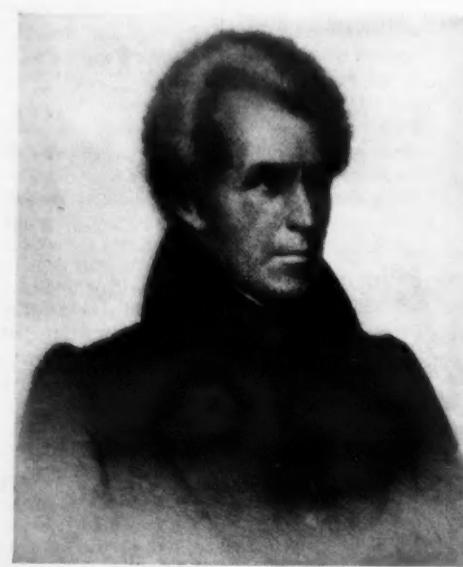
Can You Defend Your Position?

1. Do you think that the credit policy outlined by the President in his recent message will help to stimulate business? Why?
2. If you were a member of Congress, would you vote for the President's program?
3. What action do you think is necessary to start the recovery movement again?
4. In your opinion, should the United States carry out the provisions of the present law and grant complete independence to the Philippines in 1946?
5. What economic and political advantages would the Philippines offer to Japan?
6. All things considered, would you say that a college education is worth while?
7. What do you expect to be the main consequences of the British-Italian agreement?

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PRONUNCIATIONS: Clarté (klar'tay), Shantung (shan'doong'), Fumimaro Konoye (foo-mee-mah'ro ko-no-yay—all o's as in go), Saudi (sah-oo'dee), Yemen (yeh'men), Aden (ah'den), Balearic (ba-leh-ar'ic), Mindanao (min-dah-nah'o), Luzon (loo-zon'), Davao (dah-vou—ou as in out).



ANDREW JACKSON WAS BITTERLY ATTACKED FOR AUGMENTING THE POWER OF HIS OFFICE

When You Finish School

Will you go to college?

What kind of job do you want?

What will you do if you cannot find a job?

The first of these questions is of real concern to all students. Suppose you are in high school; it is highly desirable that you find out as soon as possible whether you wish to go to college. You should not wait until you are near the end of the senior year to make that decision. If you make up your mind early in your course, you can choose your subjects with a view to entering the college of your choice. You can shape your whole course with that in mind. And if you are already in college, you should decide as honestly and dispassionately as possible whether you will profit by continuing your course to graduation. Going to college usually involves sacrifice for the student, for parents, or for both. It may be well worth the sacrifice, or it may not. That is why it is so important that the problem be given thoughtful consideration.

Should One Go to College?

Should one go to college? The answer to that question will depend largely upon circumstances. There are certain classes of students who should go by all means if it is at all possible for them to do so. Remember that a college is an institution of higher learning. If you like to learn, if you are studious in your habits, if you like books and enjoy reading, if you have proved that you can stand high in scholarship; then I should say that you should make great sacrifices to go to college. You should also go to college in case you have special talents which can be developed in that way. If you plan to enter one of the professions, or if you want to be a civil or mechanical or electrical engineer, or if you wish to enter any one of a number of other fields where a college education is practically necessary, you will, of course, plan for college attendance.

But suppose you have not done well in your studies in high school, you are not particularly studious in your habits, you do not read books by choice—what then should you do about college?

Well, that is a hard question. My first inclination is to say that college is not the place for you. You do not like the sort of thing which is emphasized there. You haven't done intellectual work of a high order in high school and there is no reason to think that you would do it if you stepped to the higher levels of college. I am impressed by the fact that you might be hurt as well as helped by going to college. If you did not take an active interest in your studies, you would spend several years dawdling or loafing, and that might encourage permanent habits of laziness or shiftlessness. Some people use college as an excuse for not getting down to hard work, and that, of course, has a very bad influence upon character.

But I do not want to place too much emphasis on that point of view. After all, even though you may not have been greatly inspired by your work in high school, you may receive an inspiration in college. Some situation or

some personality there may exercise an influence upon you and turn you in the right direction. You will associate with young people who, on the whole, are somewhat above the average. You will probably take on a certain amount of social grace through your experiences. Your personality is likely to become somewhat more pleasing, though such a result is by no means a certainty.

There is another factor to be taken into account. You may not be able to get a job when you finish high school, and if you do, it probably will not be a very good one. It would be better to go to college than to get into the habit of idleness. Furthermore, you will be rather young to step out into the occupational life. A few years more in school in an environment somewhat better than you would probably find elsewhere will be helpful.

My advice is, then, that if you have done good work in high school, you should go to college by all means if you can. Even if you have done only ordinary work in high school, and even though you have no special interests which seem to require a college education, I advise you to go to college if you can do so without putting too great a sacrifice upon your parents. College life may help you in many ways. At least, people will think you have been helped by it, and you will have a better chance at a job in most fields if you go to college than if you do not. Other things being equal, a young man or woman with a college degree will be given a preference when applying for a job. So go if you can.

Self-Education

But if it is not possible for you to go to college, do not be too greatly discouraged. If you have initiative and grit and intelligence, you can give yourself as good an education as you would probably get in college. Let the community library take the place of the college lecture hall. Read and work and think, and you will go forward, even though you haven't the benefit of college life. And if you haven't the initiative and the grit and the determination and the patience to continue your education outside the college halls, the chances are that you wouldn't profit much by a college career.

Now we come to the second question. Whether you are going to college immediately after finishing high school or not, you are looking forward to a job sooner or later, and the sooner you give systematic thought to your preparation for a job, the better it will be.

The first step to take is to learn as much as you can about as many occupations as possible. You should read some good book, or perhaps two or three of them, on vocations. The following are among those which may be recommended:

"Occupations," by John M. Brewer (Ginn and Co.)

"Choosing Your Life Work," by William Rosengarten (McGraw-Hill.)

"Men Wanted," by Frances Maule (Funk and Wagnalls.)

"I Find My Vocation," by Harry D. Kitson (McGraw-Hill.)

"Business Opportunities for Women," by Catherine Oglesby (Harper & Bros.)

After you have found out about these vocations, what they are like and what the prospects of employment are in them, you should analyze your own abilities as definitely as possible, to determine which jobs you could probably fill best. Having done this, your next step is to do as much reading as you can about the vocations upon which you look with most favor. Read about them, find what is required for success in them, and then choose school subjects which will fit you as definitely as possible for these positions. Not only should you take courses which will fit you for these particular kinds of work, but you should give time on the outside to preparation and to the development of foundations for later success.

But what if no position should be available when you graduate? That is a situation which is very common in periods of business depression. In that case, the young man or woman should have a chance to enter some government service, such as



GENDREAU

the Civilian Conservation Corps, or something comparable to it established for young women. The young people who cannot be absorbed in industry should immediately go to work in the government service at something which is useful to society and which will keep them properly occupied. The expense of this should be borne by the taxpayers of the nation; in other words, by the men and women who are fortunate enough to be occupied and to have incomes.

Meanwhile, pending the development of some such plan as that, many young men and women will no doubt be obliged to go for some time without jobs after finishing school. This is an unfortunate situation, but it need not be absolutely calamitous. The young person out of a job should continue his education. He should read in the public library. He should study to give himself broad foundations for the occupation of his choice. He should learn to become a more competent citizen and an individual of broader culture. One who uses the time when he is involuntarily unemployed at self-education of that kind will be laying a foundation for future success. His chance will unquestionably come. There will always be need for men and women who have the nerve and the patience and the intelligence and the initiative to train themselves for excellent performance. They may suffer temporary inconvenience, but they will not permanently be denied an opportunity. And when their chance comes, they will be ready for it.—W. E. M.

TO A TROUBLED READER

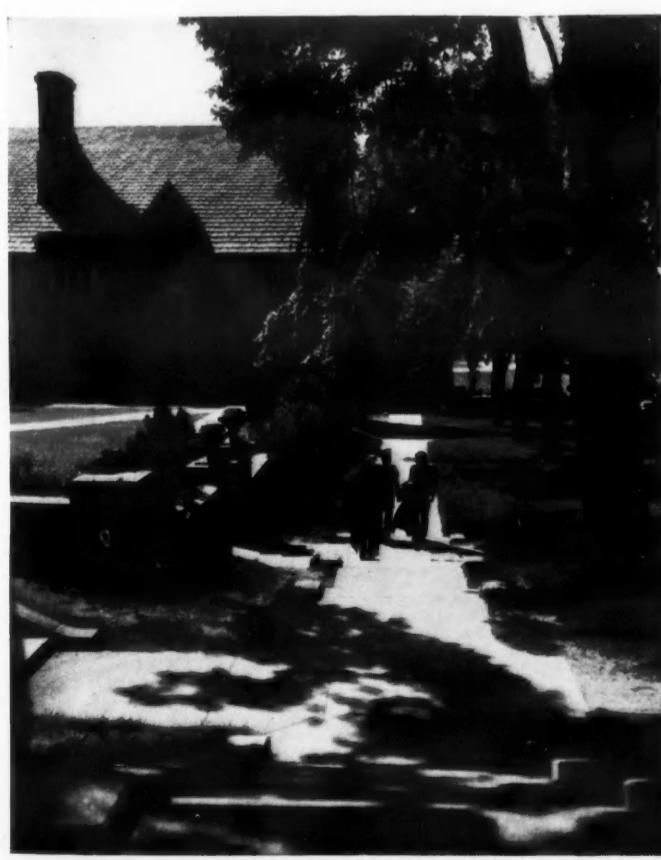
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young people to be similar to those described by the New York *Times*.

Here is a situation which calls for thinking and planning. The American who, because he enjoys a fancied personal security, ignores the conditions which today are breaking the hearts and hopes of millions, is not a good patriot. We must all of us give much time and thought to the problems which loom so large upon the horizons of individuals and families and the nation. We should not be gloomy, but rather thoughtful, studious, determined. We must remember the glories of America and her achievements. We must conserve all these fine achievements, building upon them, and working to eliminate the obstacles to our progress. We need to be of good cheer, but our cheer and hopefulness must come from a realization that we are coping with the problems before us. We must not be satisfied with the temporary cheer which comes from ignoring realities.

Let us, then, look out upon the world with clear and seeing eyes. Let us not be afraid to look reality in the face. The picture before us will not be altogether dark, for there is much of progress and achievement going on today. But we must not shut our eyes to economic and political truth simply because certain aspects of it are unpleasant. When we become tired or too greatly troubled in our study of reality, we may temporarily seek a literature of escape. I, myself, turn frequently to detective stories for relief. Read pleasant, happy-ending fiction for a change. But don't mix the fiction with your study of life.

We need today nothing so much as a realistic search for truth; a search characterized by the elimination of prejudice; a search which is honest and constructive; one which will enable patriotic Americans to serve well the country that they love.—W. E. M.



GENDREAU

President's Program and Its Opponents

(Concluded from page 1)

ing public could not buy because the purchasing power of the consuming public had not kept pace with the production.

During the same period . . . the prices of many vital products had risen faster than was warranted. . . . In the case of many commodities the price to the consumer was raised well above the inflationary boom prices of 1929. In many lines of goods and materials, prices got so high that buyers and builders ceased to buy or build.

The economic process of getting out the raw materials, putting them through the manufacturing and finishing processes, selling them to the retailers, selling them to the consumer, and finally using them, got completely out of balance.

The laying off of workers came upon us last autumn and has been continuing at such a pace ever since that all of us, government and banking and business and workers, and those faced with destitution, recognize the need for action.

The type of action recommended by the President springs logically from the diagnosis of the nation's eco-



WIDE WORLD

THE PRESIDENT PROPOSES SPENDING
Upper right: "Remember we both have to work," a cartoon by Fitzpatrick in St. Louis Post-Dispatch. Lower left: "Back Again," a cartoon by Morris in Winfield (Kans.) Daily Courier.

dition the President pays virtually no attention. For though his tone and manner are conciliatory, he avoids any real consideration of the reasons why, though money is already cheap and plentiful, private investment is virtually stopped. He seems to think that it will start if money becomes still cheaper and still more plentiful. . . .

"For unless," concludes Mr. Lippmann, "the greatest obstacles to private enterprise are removed, we shall soon see that the President has led business to the springs of credit but that he cannot make the horse drink."

Here we come to the very heart of the controversy over the President's program. According to businessmen, the "obstacles to private enterprise" of which Mr. Lippmann speaks are real and must be removed before there can be any revival. And while bills of particulars may differ in certain minor respects, their main outlines are the same. And most of these so-called obstacles, it is claimed, are of the Roosevelt administration's own making. Until they are removed, businessmen will not borrow money to expand their activities and enlarge their plants, however attractive credit terms may be.

In addition to the general criticism that the Roosevelt administration has created fear and uncertainty by its policies and has threatened the nation's solvency by piling deficit upon deficit,

businessmen have a number of specific grievances which they assert are the real barriers to recovery. The most important of these are the following:

Concrete Suggestions

1. **Taxation.** The undistributed profits tax and the capital gains tax (discussed in the March 14 issue of THE AMERICAN OBSERVER), piled upon already heavy income taxes, are stifling industry. Industry will not expand until these taxes are eliminated or modified because they remove the possibility of making profits.

2. **Public utilities.** With the threat of government competition hanging over their heads, the electric utility companies are holding back on expansion. If the administration would clarify its power policy, the private companies would know where they stand and would be able to spend millions of dollars and give employment to large numbers.

3. **Railroads.** An intelligent handling of the railroad problem would give a great stimulus to business. The roads need new equipment but because of their present difficulties cannot buy it. It is estimated by John L. Lewis that the railroads' financial plight is responsible for at least 1,000,000 unemployed men.

4. **Labor.** It is charged that the administration, by its pro-labor policy has been responsible for the wave of strikes that has swept over industry. Moreover, the administration pushed wages up too fast, with the result that many industries could not afford to pay them and had to restrict production.

These are but a few of the concrete steps which private business believes to be necessary if the back of the present depression is to be broken. The main contention is that it was governmental policies which throttled business at every turn, making expansion and greater activity next to impossible. In the opinion of a good many businessmen, it was the administration's earlier spending programs which brought on the new depression, and to use the same medicine again will aggravate matters.

While President Roosevelt was more conciliatory in his utterances than he had previously been, there was no indication that he accepts the above diagnosis and suggested remedy. He contends that greater purchasing power is essential to start the upward movement and that, until business can provide this purchasing power through greater employment and increased production, the government must step into the breach with new expenditures and by opening the gateways to a freer flow of credit for private enterprise.

Smiles

Wife: "Your hat is on wrong, dear."
Absent-minded professor: "Oh, is that so? How do you know which way I'm going?"
—SELECTED

Philadelphia archeologists have uncovered a game of chess in ruins 6,000 years old. Well, was the game finished, or is more time needed?
—Philadelphia BULLETIN

Someday we'll be able to tell our grandchildren about the tough time we had producing a balanced budget and the movies version of "Gone With the Wind."
—Ponca City (Okla.) NEWS

Proprietor of mountain hotel (to newly arrived guest): This is your room, sir. If you want a view over the mountains, put a dime in the slot and the shutters open for five minutes.
—BOYS' LIFE

Clerk: "Madam, could I interest you in a cookie molder?"
Customer: "Goodness, no. They spoil fast enough where I keep them now."
—

A fellow says walking is a lost art in this country. Is that so? How does he think most of us get from where we park to where we're going?
—Memphis COMMERCIAL APPEAL

The man with the suitcase chased the train to the end of the platform, but failed to catch it. As he slowly walked back, mopping his brow, an interested onlooker remarked:

"Miss the train?"
"Oh, not much," was the reply. "You see, I never got to know it very well."
—SELECTED



"I CAN'T COME OUT, BOB, I'M BUSY WITH MY HOME WORK"
RIESLER IN SATURDAY EVENING POST

nomic ills. Since the primary cause of our difficulties is the lagging of purchasing power—the inability of the masses to consume all that is being produced—purchasing power must be increased in order to effect a cure. This is where the spending program comes in, the additional pump-priming which the President outlined to Congress and the nation.

Mr. Roosevelt proposes to take action on three fronts in order to stimulate business. The first line of attack is to take the form of additional direct expenditures by the federal government. He asks for an appropriation of a billion and a quarter dollars to be used by the Works Progress Administration during the first seven months of the year beginning July 1; a total of \$175,000,000 for the Farm Security Administration; \$75,000,000 for the NYA; and \$50,000,000 for the CCC.

The purpose of these expenditures is, in the main, to take care of those who are unemployed as well as to take up the slack in purchasing power which would result if the activities of these agencies were not maintained or expanded.

More Public Works

Closely allied to these expenditures is the recommendation that a considerable program of additional public works be undertaken as a means of stimulating private business. The Public Works Administration, whose activities have been tapered off, will again launch a program of public works. About half a billion dollars is to be spent directly by this agency and loans up to a billion dollars are to be authorized for states and cities. In addition, the President asks for an increase of \$300,000,000 for the United States Housing Authority, to be used for slum-clearance projects, an appropriation of \$100,000,000 for road construction, \$37,000,000 for flood control and reclamation projects, and \$25,000,000 for federal buildings.

Expenditures in these two categories in-

As we pointed out in last week's issue of THE AMERICAN OBSERVER, the Reconstruction Finance Corporation has already been authorized to increase its loans to private business. This lending agency may advance as much as a billion and a half dollars in this way, if satisfactory borrowers can be found.

Credit Expansion

The President also declared that the banking machinery of the nation would be used to expand the credit reserves of the nation and to increase the funds available for loans to business. The process by which this is to be accomplished is highly intricate, involving a thorough understanding of the banking system under the Federal Reserve System. But, in brief, the lending facilities of the Federal Reserve Banks are to be increased. The idea behind this move is to make it easier for business to borrow money in the hope that it will make loans in order to build new factories, buy new machinery, and otherwise increase its expenditures.

Many people consider this credit expansion to be the most important feature of the President's program. They point out that while the government does contemplate a fairly extensive spending program, its expenditures will be but a drop in the bucket so far as the needs are concerned, and that the really heavy expenditures must be made by business itself. By making additional billions of dollars available in loans to business and industry, borrowings will be made and increased activities will again be undertaken.

Of course, that is the theory behind Mr. Roosevelt's program with respect to credit. But many economists and observers are skeptical of the final results. They contend that it is not a scarcity of bank credit which is now holding back recovery. They point out that the banks already have more money to lend than they had in 1929. This viewpoint was clearly expressed by Mr. Walter Lippmann in his column appearing recently in the New York *Herald-Tribune*:

The whole program depends upon inducing business to use the credit which the program provides. But to this absolutely essential con-